Supreme Court, U.S.
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No. 05-

IN THE

Supreme Court of the United States

MICROSOFT CORPORATION,

Petitioner,

v.

EOLAS TECHNOLOGIES INCORPORATED AND THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether 35 U.S.C. § 271(f)—which imposes infringement liability on one who "supplies" "components" of a patented invention from the United States for "combination" abroad—is satisfied if no physical parts are supplied from the U.S. and all that is supplied is software code that foreign computer manufacturers use to program computers that are made and sold entirely outside the U.S.?

PARTIES TO THE PROCEEDING

There are no parties to the proceeding other than those listed in the caption.

Petitioner Microsoft Corporation has no parent company, and no publicly held company owns 10 percent or more of the petitioner's corporate stock.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Microsoft Corporation respectfully requests that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit was entered on March 2, 2005, and is included in the Appendix ("App.") at 1a-26a. It has been officially reported and can be found at *Eolas Technologies, Inc.* v. *Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005). The opinion of the district court ruling on the issue presented for review in this petition was entered on July 31, 2003, and is included in the Appendix at 27a-30a. That opinion has also been reported and can be found at *Eolas Technologies, Inc.* v. *Microsoft Corp.*, 274 F. Supp. 2d 972 (N.D. Ill. 2003).

JURISDICTION

The district court had jurisdiction of this patent infringement action under 28 U.S.C. §§ 1331 & 1338. The court of appeals entered its opinion and judgment on March 2, 2005. The court of appeals entered an order on May 3, 2005, denying a timely petition for rehearing and rehearing *en banc*. App. 31a-32a. On July 21, 2005, the Chief Justice extended the time for filing this petition up to and including August 31, 2005. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

The statute at issue in this case is 35 U.S.C. § 271(f), which provides:

> (1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.
>
> (2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

STATEMENT OF THE CASE

A. Nature Of The Case.

Respondents sued Microsoft, alleging that computers programmed with Microsoft's Windows® with Internet Explorer ("IE") software infringe claims 1 and 6 of U.S. Patent No. 5,838,906 ("the '906 patent"). The '906 patent generally claims a computer program product (*e.g.*, a Web browser) and method of using a computer automatically to launch another application to enable users to interact with animations and other "objects" embedded in Web pages. Consistent with prior decisions of this Court and the Federal Circuit concerning patentable subject matter, see, *e.g.*, *Diamond* v. *Diehr*, 450 U.S. 175 (1981); *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc), the "computer program product" claimed in the '906 patent is not software code or the instructions or underlying algorithms it represents, but rather "a computer usable medium"—such as, for example, a computer hard drive—with operable computer-readable code installed on it. App. 6a (quoting '906 patent, Claim 6).

After a trial on infringement, a jury returned a verdict in favor of respondents. Respondents asserted that if Windows® with IE infringes, then they are entitled to royalty damages on the worldwide sales of Windows® with IE, not just sales in the U.S. The trial court had earlier ruled in their favor on that issue, and so the jury was directed to calculate its royalty award based on worldwide sales of Windows® with IE, including units produced and sold outside the United States. The resulting award exceeded $520,000,000.

This petition seeks review of the Federal Circuit's ruling that 35 U.S.C. § 271(f) entitles respondents to royalties based on foreign manufacture and sale of an infringing software-related product.[1] Specifically, the Federal Circuit ruled that

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[1] The Federal Circuit vacated the judgment in favor of respondents based on the trial court's erroneous rulings that prevented Microsoft

all foreign-made and sold computers on which Windows® software has been installed by foreign Original Equipment Manufacturers ("OEMs") can infringe a United States patent because the software was designed in the United States and a single disk on which the software code was recorded was transmitted from the United States and replicated abroad by the foreign OEMs. The Federal Circuit reached this result despite the fact that not a single physical part of any of the foreign-made computers was supplied from the United States, and in the face of its own prior decisions holding that section 271(f) refers to the supply of physical components, not instructions or information. This ruling accounts for more than 64% of the $520,000,000 that the jury awarded. If allowed to stand, the ruling would dramatically expand the extraterritorial scope of U.S. patents contrary to this Court's rulings and longstanding U.S. patent policy.

B. Software Code Is Design Information.

Software code, standing alone, is a set of instructions for use by a digital computer, instructions that embody an algorithm or set of algorithms. When used to program a computer, software code "creates a new machine" by physically transforming a "general purpose computer" into a "special purpose computer." *In re Alappat*, 33 F.3d at 1545; *see In re Noll*, 545 F.2d 141, 148 (C.C.P.A. 1976) (a programmed computer "comprises physical structure, including storage devices and electrical components uniquely configured to perform specified functions through the physical properties of electrical circuits to achieve controlled results."). That is, a computer on which software code is installed and running has its internal circuitry physically arranged in a particular way that produces particular results.

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from presenting evidence and argument in support of its defense that the patent is invalid in light of certain prior art. The Federal Circuit also vacated the trial court's ruling in favor of respondents on Microsoft's inequitable conduct defense.

Any particular expression of software code is, thus, a particular form of design instructions for computers—instructions that dictate how the millions of switches in a computer's central processing unit will be configured, *i.e.*, which will be open and which closed. A designer of computer software proceeds like any other designer. He or she imagines what the computer should be able to do (*e.g.*, perform as a simple calculator) just as, for example, a tire designer imagines what a particular tire should do (*e.g.*, provide improved traction in wet conditions). Each idea will find expression in a physical product. The tire designer's idea will become rubber formed in a particular way to direct the flow of water so that traction is improved. The software designer's idea will become a rearrangement of the switches of a microprocessor to direct the flow of current so that calculations are performed and their results displayed.

Each designer produces a set of instructions for making the desired product. The tire designer produces drawings of a tread design, indicating the thickness of the rubber, the shape and depth of the grooves, *etc.* These drawings instruct a manufacturer who will turn the written design into a mold that a machine can use to form the tires. The software designer cannot draw a picture of how the millions of switches in a modern microprocessor ought to be arranged to perform as desired. Instead, the software designer expresses processor design instructions in a standard computer format called "source code." Source code is then passed through a "compiler," which produces the equivalent of a tire mold: computer-readable "object code" in which the processor design instructions are expressed in binary form, the "1's" and "0's" used by digital computers. Then, just as a tire-making machine would use the tire mold to shape rubber into tires, a general purpose computer will use the object code to rearrange its processor's switches to produce a special purpose (calculating) computer.

In sum, the software code is like any other set of design instructions, which can be seen by considering how a single set of instructions can be used to make countless units of the product. A tire designer need produce only one set of design instructions that can be used to make a single mold which then produces as many tires as desired. Likewise, a software designer need produce only one version of source code which can be used to make a single computer-readable version of the code, and countless additional (new) copies of that object code can be made and installed on computers, transforming them into as many "special purpose"—programmed—computers as desired.

Cosmetically, the tire-making process is different from the special purpose computer-making process: the process of following the design instructions of computer software is automated and largely invisible to humans. But in substance, the two processes are the same.

C. Installing Windows® On Computer Hard Drives.

Microsoft develops its Windows® software and records the object code form of that software on a "golden master" disk, on which the ones and zeros of the object code are stored. Microsoft does not itself install Windows® onto any computers. Instead, Microsoft licenses its software to OEMs and sends the golden master to them. The OEMs then use the golden master as part of a process which creates new copies of the Windows® code installed on the hard drives of their computers. Thus, as the district court recognized in this case, the Windows® code installed on the hard drive of, for example, a French-made computer is actually made in France, replicating the information provided on the golden master sent from the United States. App. 28a. These Windows®-programmed computers are alleged to infringe the '906 patent.

When an OEM "installs" the Windows® code onto the hard drives of its computers, it takes nothing physical off the